

## Message Text

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ACTION AID-59

INFO OCT-01 AF-06 EUR-12 ISO-00 EB-07 SS-15 SP-02 L-02

H-02 PA-02 PRS-01 USIA-15 NSC-05 OMB-01 TRSE-00 IGA-01

COME-00 CIAE-00 INR-07 NSAE-00 /138 W

----- 091220

R 031528Z APR 75

FM AMEMBASSY BONN

TO AMEMBASSY ABIDJAN

SECSTATE WASHDC 9127

INFO AMEMBASSY LIBREVILLE

AMEMBASSY YAOUNDE

UNCLAS SECTION 01 OF 02 BONN 05367

E.O. 11652: N/A

TAGS: EAID, GB, GW

SUBJECT: GABON ACCESS ROADS

1. SUMMARY. DR. EHM CALLED IN EMBASSY OFFICER TO REPORT ON MEETING WITH KREDITANSTALT OFFICIALS ON FRG POSITION REGARDING JOINT FINANCING PROPOSAL. THE FRG IS PREPARED TO ATTEND A MEETING OF ALL DONORS ONLY ON THE CONDITION THAT THE US UNTIE ITS AID FOR THE ACCESS ROAD PROJECT. END SUMMARY.

2. DR. EHM, DIRECTOR OF CENTRAL AFRICAN AFFAIRS IN THE AID MINISTRY, CALLED IN EMBASSY OFFICER AFTER HIS MEETING WITH KREDITANSTALT OFFICIALS ON MARCH 26. HE REPORTED THAT, WHILE THE GERMAN GOVERNMENT FAVORS THE PRINCIPLE OF JOINT FINANCING OF PROJECTS SUCH AS THIS, THE KREDITANSTALT OFFICIALS BELIEVE THAT THE TYING PROVISION OF US AID REDUCES THE OPPORTUNITY OF THE GOVERNMENT OF GABON TO PROCURE PROJECT EQUIPMENT FROM THE LOWEST-COST PRODUCER. THEY FEEL THAT ANY REDUCTION IN PROJECT COST RESULTING FROM THE GREATER EFFICIENCY OF DONOR COOPERATION MIGHT BE CANCELLED OUT BY THE REQUIREMENT THAT EQUIPMENT BE PURCHASED IN THE US.

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EHM HYPOTHESIZED THAT IF THE GABONESE WERE REQUIRED TO

PURCHASE A PORTION OF THEIR EQUIPMENT IN THE US PER TYING PROVISION OF THE AID PROGRAM, THEY WOULD ALSO PURCHASE THE REST OF THE EQUIPMENT (FINANCED FROM GERMANY AND THE AFRICAN DEVELOPMENT BANK) IN THE US IN ORDER TO MAINTAIN COMPATIBILITY. IF THE US WAS NOT THE LOWEST-COST PRODUCER OF THE EQUIPMENT, THE ADDED COST OF BUYING IN THE US WOULD REDUCE ANY SAVINGS RESULTING FROM THE JOINT FUNDING. EHM EMPHASIZED THAT THE FEDERAL REPUBLIC HAS NOTHING AGAINST PROCUREMENT IN THE US PER SE, BUT RATHER, THEY WANT TO ENSURE THAT THE CONSTRUCTION FIRM CAN BUY EQUIPMENT FROM THE LOWEST BIDDER. FOR THIS REASON THE FRG FEELS THAT US ASSISTANCE SHOULD BE UNTIED BEFORE ANY MEETING OF DONORS TAKES PLACE.

3. EMBASSY OFFICER POSED HYPOTHETICAL SITUATION IN WHICH GABON WOULD PURCHASE ONLY THE PORTION OF ITS EQUIPMENT FINANCED WITH US FUNDS IN THE US AND COULD THEN PURCHASE THE BALANCE (THAT PORTION FINANCED FROM THE OTHER DONORS) IN THE COUNTRY OF ITS CHOOSING. SINCE IT IS TO BE EXPECTED THAT THE US WOULD BE LOWEST COST PRODUCER ON AT LEAST A PORTION OF THE EQUIPMENT, THEN NO LOSS IN EFFICIENCY WOULD RESULT. EHM REPLIED THAT HE DOUBTED THE FEASIBILITY OF PURCHASING SOME EQUIPMENT FROM ONE COUNTRY AND THE BALANCE FROM OTHERS, REITERATING HIS CONTENTION THAT THE ROAD-BUILDING FIRM WOULD PROBABLY WANT COMPATIBLE EQUIPMENT.

4. DR. EHM NOTED THAT A SIMILAR SITUATION AROSE SOME YEARS AGO WHEN FRANCE PROPOSED JOINT FINANCING ON A PROJECT IN AFRICA. THE FEDERAL REPUBLIC ALSO OBJECTED AT THAT TIME TO AID TYING AND THE FRENCH MADE AN EXCEPTION IN THE PARTICULAR PROJECT.

5. EHM ALSO REPORTED THAT, ACCORDING TO COMMUNICATIONS FROM HIS AMBASSADOR IN LIBREVILLE, THE AFRICAN DEVELOPMENT BANK HAD NOT GIVEN ITS CLEAR APPROVAL TO JOINT FINANCING. EMBASSY OFFICER NOTED THAT AFDB HAD EXPRESSED STRONG INTEREST IN THE JOINT FINANCING PROPOSAL IN JANUARY BUT EHM REPLIED THAT GOG CHANGES

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IN THE ROAD NETWORK SINCE THEN HAD PROMPTED A REEVALUATION OF THE BANK'S COMMITMENT.

6. DR. EHM ALSO RAISED A NUMBER OF OTHER ISSUES ON THE JOINT FUNDING QUESTION BUT INDICATED THAT THE QUESTION OF TIED AID WAS THE ONLY ONE THAT MUST BE SOLVED PRIOR TO A MEETING OF DONORS. THESE CONCERNS INCLUDE THE FOLLOWING:

A. SHARE OF FINANCING BY EACH DONOR -- THE FRG HAS EXPRESSED CONCERN THAT THEIR PORTION IS CONSIDERABLY LARGER THAN THE OTHER DONORS AND THAT COST INCREASES ARE LIKELY TO MAKE THE DISPARITY EVEN GREATER.

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B. ACTUAL SIZE OF AFDB CONTRIBUTION - EHM CLAIMS TO HAVE NO SPECIFIC FIGURES ON THE SIZE OF THEIR CONTRIBUTION TO THE PROJECT.

C. THE MANNER OF POST-PROJECT EVALUATION -- GERMAN REGULATIONS REQUIRE EVALUATION OF THE PROJECT FOLLOWING COMPLETION BY KREDITANSTALT OFFICIALS TO ENSURE THAT FRG FUNDS WERE EFFICIENTLY SPENT. EVALUATION WOULD BE MORE DIFFICULT WITH SEVERAL DONORS CONTRIBUTING TO VARIOUS PORTIONS OF THE PROJECT.

7. EHM ALSO PROVIDED EMBASSY OFFICER WITH NEW FIGURES ON PROJECT COST. THESE FIGURES NOW SHOW A TOTAL COST OF 160 MILLION DM OF WHICH GERMANY WOULD PROVIDE 64 (KOUMAMEYONG-BOOUE: 25; BOOUE-IVINDO 39). DO THESE

FIGURES SQUARE WITH LATEST COST ESTIMATES ON HAND  
IN ABIDJAN? WE ARE NOT AWARE OF THE SOURCE OF THESE  
FIGURES.

8. COMMENT. IT HAS BECOME APPARENT OVER THE PAST  
FEW MONTHS THAT THE FRG IS NOT AS STRONGLY INTERESTED  
IN THE IDEA OF JOINT FINANCING AS THE US. THEY ARE  
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WILLING TO GO ALONG WITH OUR PROPOSAL AS LONG AS IT  
APPEARS THAT GREATER EFFICIENCY AND CORRESPONDING  
SAVINGS WOULD RESULT FROM JOINT FINANCING, BUT THEY  
SEE THE TYING PROVISION OF US AID AS VIRTUALLY  
CANCELLING THE POTENTIAL SAVINGS. EMBASSY OFFICER ALSO  
PERCEIVED GERMAN RELUCTANCE TO BECOME INVOLVED IN ANY  
JOINT FUNDING PROPOSAL WHICH MIGHT LEAD TO A PERMANENT  
MACHINERY OR CONSORTIUM FOR AID PROJECTS IN GABON.

9. AT THIS POINT IT IS NEITHER CLEAR THAT EHM CAN BE  
CONVINCED THAT IT IS FEASIBLE TO MAINTAIN A TYING  
PROVISION ON THE US PORTION OF THE PROJECT, WHILE  
ALLOWING THE CONSTRUCTION FIRM TO PROCURE THE BALANCE  
OF ITS EQUIPMENT FROM THE LOWEST-COST PRODUCER, NOR IS  
IT CLEAR TO EMBASSY BONN IF ANY POSSIBILITY EXISTS FOR  
UNTYING AID ON THIS PROJECT. GUIDANCE FROM AID/  
WASHINGTON AND ABIJAN IS REQUESTED FOR A RESPONSE  
TO EHM.  
HILLENBRAND

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CONSTRUCTION, FINANCE, TECHNICAL ASSISTANCE, HIGHWAYS, INTERGOVERNMENTAL COOPERATION  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 03 APR 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975BONN05367  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750115-0505  
**From:** BONN  
**Handling Restrictions:** n/a  
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**Office:** ACTION AID  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ShawDG  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 23 JUN 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <23 JUN 2003 by BrownAM>; APPROVED <12 JAN 2004 by ShawDG>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** GABON ACCESS ROADS  
**TAGS:** EAID, GB, GE, US  
**To:** ABIDJAN STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006